and Trademark Office ("USPTO"). Since neither the lower Federal courts nor the USPTO have jurisdiction to invalidate a state court judgment along with a Federal patent, it follows that any such protection that state law can give cannot come through the vehicle of a court judgment that does not clearly terminate on a finding of invalidity by the appropriate federal authority.

The trial court also purported to make a partial "assignment" of EFL's federally registered trademark in connection with the sale of products covered by the Lacey/365 patent. Neither the judgment nor the underlying agreement identifies EFL's federal trademark registration by registration number, properly refers to EFL's federal trademark or makes any mention of transfer of goodwill. To the extent that the trademark referred to in the agreement and judgment is EFL's federally registered trademark, EFL had ceased all use of the trademark in connection with products covered by the Lacey/365 patent before the agreement was executed (EFL continues to use its federally registered trademark in connection with other products). The judgment of the Court of Appeal affirming the partial "assignment" of the trademark, completely divorced from any goodwill, conflicts with many decisions of the Federal Circuits holding that trademarks can be validly assigned only if the goodwill they symbolize is assigned as well.

The Court of Appeal's decision conflicts with many decisions of the Supreme Court and the Federal Circuits. The petition for writ of certiorari should be granted.

STATEMENT OF THE CASE

I. FACTUAL BACKGROUND

A. EFL's U.S. Patent No. 6,450,980

On July 21, 2000, Wendy Robbins ("Robbins") and Jorli McLain ("McLain") of EFL filed a patent application with the USPTO, seeking patent protection for their head massager device, an improvement over an inferior prior

design by an Australian national, Dwayne Lacey ("Lacey"). (Appellants' Appendix ("App.") IV:924.) The patent examiner considered U.S. Patent No. 6,309,365, the Lacey/365 Patent, which was granted to Lacey on October 30, 2001; in addition, Robbins and McLain brought to the examiner's attention Lacey's Australian Design Patent 134,633. (*Ibid.*) The examiner determined that Robbins and McLain's invention was patentable over the Lacey patents, and Robbins and McLain were granted U.S. Patent No. 6,450,980 (the "EFL/980 Patent") on September 17, 2002. (App. III:789; IV:924-25.) Robbins and McLain were also granted a Design Patent on the handle of their "The Tingler" device. (App. IV:925.)

B. TLT Steals EFL's Product and Attempts to Appropriate EFL's Goodwill

In July 2000, Robbins and McLain met Mark Juarez, the owner of respondent TLT, at a trade show. (App. II:304, 496.) Juarez told Robbins and McLain that TLT was a successful, multimillion dollar company with the resources and contacts to rapidly and successfully launch EFL's head massager device, which EFL marketed under its Federally registered trademark No. 2,492,240 for "The Tingler," into the marketplace. (*Id.*)

As a result of Juarez' solicitation, EFL and TLT entered into a contract calling for TLT to manufacture "The Tingler" device for EFL. (App. I:140-48.) The agreement provided that EFL would be exclusively responsible for promotion and sales of "The Tingler." (App. I:141, II:496.) The parties agreed that TLT would not acquire any right, title or interest in any of EFL's trademarks, service marks or tradenames in connection with the relationship, and that TLT would immediately stop using EFL's trademarks, service marks and tradenames upon termination of the agreement. (App. I:145-46.) The agreement is governed by California law, and provides that all disputes arising under the agreement must be submitted

to an arbitrator affiliated with the American Arbitration Association. (App. I:146-47.)

Throughout 2001, Robbins and McLain spent considerable time and money promoting "The Tingler," leading to numerous positive reviews, features and articles about the product. (App. II:498-500.)

Meanwhile, TLT quietly ~~began~~ marketing its own pirated version of "The Tingler" under a different trade name: "Head Trip." (App. II:500-02; III:626-27 (Juarez admits copying "The Tingler").) TLT also stole EFL's trade dress for "The Tingler," and attempted to appropriate EFL's goodwill as well, circulating materials claiming that positive reviews for "The Tingler" actually related to its pirated version. (App. II:501-03; *see* III:628-29 (Juarez admits appropriating advertising copy published about "The Tingler" in promoting TLT's pirated "Head Trip").) Taking advantage of the fact that EFL's advertising instructed customers to place orders through TLT's toll-free number, TLT sold the unsuspecting customers its "Head Trip" product instead, as well as sending unsolicited promotional materials to persons identified on EFL's customer lists. (App. II:503-04.) TLT's activities have caused confusion in the marketplace. (App. II:504.)

C. The Arbitration

On May 18, 2001, TLT commenced a proceeding in arbitration against EFL, alleging various breaches of contract; a few months later, EFL counterclaimed against TLT, seeking injunctive relief to halt TLT's infringement of EFL's trade dress and misappropriation of its trade secrets. (App. I:43, I:139, II:446-464.) At a hearing before the arbitrator, TLT argued that EFL's Lanham Act claims were beyond the scope of the arbitration agreement and were more properly addressed in Federal court. As a result, the arbitrator declined to consider EFL's claims against TLT. (App. IV:904.)

D. The Federal Lawsuit

EFL then sought injunctive relief in Federal district court to halt TLT's infringement and misappropriation of EFL's intellectual property. (App. II:410-466.) On December 5, 2001, the district court entered an order denying EFL's request for a preliminary injunction. (App. III:719-31.) However, the court stated in its order that "it appears likely that it (EFL) can succeed on the breach of confidentiality claim." (App. III:729, IV:905.)

E. This Litigation

On August 8, 2001, TLT filed this lawsuit. TLT purported to state claims against EFL, Robbins and McLain for false advertising, libel and trade disparagement, unfair competition and interference with prospective economic advantage. (App. I:003-013.) Each of these claims arises from TLT's manufacture and sale of its "Head Trip" product, which TLT has repeatedly admitted is identical to EFL's "The Tingler" device; for example, TLT's claim for trade disparagement is based upon its claim that EFL and its principals have accused TLT of misappropriating EFL's product, customers and trade secrets, and TLT's claim for unfair competition arises from EFL's alleged efforts to prevent TLT from advertising its own head massager product. (App. I:008-009.)

F. The Mediation

On or about October 31, 2001, the parties entered into an agreement to arbitrate all three proceedings then pending between them. The agreement provided that before arbitration was undertaken, the parties would participate in a JAMS-supervised mediation conference in an attempt to resolve all outstanding disputes. (App. I:061-66.)

The mediation occurred on January 22 and 23, 2002. During that mediation, a number of representations were made by TLT about its business relationship with Lacey,

the owner of the Lacey/365 patent. TLT's attorney showed counsel for EFL an unsigned, undated document which he claimed was the final license agreement between Lacey and TLT. (App. IV:904.) TLT's lawyer claimed that in order to obtain the exclusive license, TLT was required to assign its "Head Trip" trademark to Lacey, who then licensed the trademark back to TLT. (App. IV:896, IV:900, IV:904.) Both TLT's attorney and the mediator stated that any settlement would necessarily have to involve EFL entering into the same arrangements which TLT had already agreed to with Lacey. (App. IV:897, IV:901, IV:904.) To this date neither TLT nor Lacey has provided a copy of any purported license agreement. To this date there has been no assignment of the "Head Trip" mark recorded at the United States Patent and Trademark Office.

Both Robbins and McLain believed that the mediation documents were merely a framework for negotiating a final and complete settlement. Accordingly, they agreed to sign two documents, a "Stipulation for Settlement" and a "Mediation Settlement Term Sheet." (App. I:126-33.) Both EFL principals relied upon the representations made by TLT representatives in executing the documents. (App. IV:897-98, IV:901-02.) Apparently so did TLT and Lacey since they engaged in negotiations with EFL for months after the documents were executed.

G. Negotiations for a Final Settlement Break Down

On February 15, 2002, counsel for EFL forwarded a draft final settlement agreement to Lacey's attorney. (App. IV:923, IV:980.) Negotiations continued through the summer of 2002. (App. IV:980-81, 984, 991.) By early October, it became clear that negotiations would not result in a final settlement. Accordingly, EFL's attorney advised the American Arbitration Association that mediation had failed and requested that the matter be set for binding arbitration. (App. IV:919-20.)

II. PROCEDURAL BACKGROUND

A. TLT's Motion to Enforce Settlement

Rather than participating in the binding arbitration hearing, on or about June 2, 2003, TLT filed a motion in Superior Court asking that the court enter a judgment pursuant to C.C.P. § 664.6 enforcing the "Stipulation for Settlement" and term sheet as a full and final settlement agreement. (App. I:120.) EFL opposed the motion on a variety of grounds, including fraud, mistake and illegality. (App. IV:865-82.) When TLT submitted a proposed order purporting to "assign" EFL's trademark to Lacey, rather than making the license for limited purposes and duration that the parties intended, EFL pointed out that the purported "assignment" was invalid as an assignment "in gross" under Federal law. (App. IV:1033-41.)

B. The Trial Court's Order and Judgment

The court granted the motion (App. IV:1014-16) and entered judgment. (App. IV:1112-14.) The judgment includes four principal operative paragraphs:

> [D]efendants Robbins, McLain, and Everything for Love, Inc. ("EFL") are permanently enjoined from advertising, selling or offering for sale any Head Massager Device covered by US Patent 6,309,365 ("Patent") that is not manufactured by and purchased from TLT in accordance with the terms of the Settlement agreement. This injunction shall terminate upon expiration of the Patent . . .
>
> [D]efendants Robbins, McLain, and EFL shall provide an accounting to TLT to [sic] all sales made by Defendants from January 23, 2002 to date, of any Head Massager Device. The accounting shall specify whether each such sale is of a device covered by the Patent or is alleged to have been made of a device not covered by the Patent . . .

> [A]ll right, title and interest in and to Defendants' trademark 'Tingler' for use in connection with the advertising or sale of Head Massager Devices covered by the Patent shall be and hereby is transferred and assigned to Dwayne Lacey, but subject to Defendants receiving from Dwayne Lacey (i) a non-exclusive license back to defendants permitting their use of the trademark in connection with the advertising, sale or offer of sale of any Head Massager Device that is covered by the Patent and manufactured and purchased from TLT in accordance with the terms of the Settlement agreement, and (ii) a release of claims as contemplated by the Settlement Agreement . . .
>
> [A]ll claims, causes of action and disputes between the parties that existed, or could have existed, as of the date of execution of the Stipulation for Settlement dated January 23, 2002, are hereby released and such claims are dismissed with prejudice and the parties are permanently restrained and enjoined from asserting or prosecuting any and all such claims.

(Pet. App. 34-35.)

EFL, Robbins and McLain timely appealed to the California Court of Appeal. (App. IV:1139-41.)

C. EFL Challenges the Trial Court's Subject Matter Jurisdiction and the Validity of the Purported Trademark Assignment

Before the Court of Appeal, EFL argued that because TLT's motion involved substantial questions of Federal patent law – infringement and invalidity of the Lacey/365 Patent – the motion was within the exclusive jurisdiction of the Federal courts under 28 U.S.C. § 1338. (Appellant's Supp. Letter Brief, filed by permission, pp. 4-7.)

In support of its argument, EFL successfully sought judicial notice of a brief filed by TLT in EFL's U.S. District

Court action against TLT for infringement of the EFL/980 patent. In that brief, TLT admitted that determining which sales – if any – were subject to the court's judgment "will require a detailed analysis of and decision about the scope of protections afforded under both the 980 Patent and the 365 Patent," and that these issues "are matters of Federal Patent law best decided by this Federal court." (Appellants' Request for Jud. Not. re Supp. Brief, Exh. 1 at p. 6.) EFL also successfully sought judicial notice of an Order Granting Request for Reexamination, in which the USPTO held that a "substantial new question of patentability" had been raised on several different grounds regarding the claims of the Lacey/365 Patent, including that the patent was barred by Lacey's earlier Australian design patent pursuant to 35 U.S.C. § 102(d). (*Id.* at Exh. 3.) When the USPTO issued an Office Action just prior to oral argument before the Court of Appeal holding every claim of the Lacey/365 Patent invalid under Federal law, EFL sought judicial notice of that action as well, but the Court of Appeal denied the second motion in its opinion on the merits. (Pet. App. 22, n.3.)

EFL also pointed out that the "assignment" of EFL's trademark contained in the judgment was an assignment "in gross" and invalid as a matter of settled Federal law. (Opening Brief at pp. 29-31; Reply Brief at pp. 7-8.)

D. The Court of Appeal Affirms the Judgment

With respect to EFL's challenge to the court's jurisdiction, the Court of Appeal held:

> [I]n the present case, the trial court was called upon to enforce a settlement agreement, a contract allegedly entered into by the parties, pertaining to their dispute over the manufacturing and licensing of a patented device. (Citation.) Only issues of state contractual and equitable principles were raised by TLT's pleading. Although the Tingler device was patented, this fact alone is not determinative, because Congress did

> not intend to displace all state court jurisdiction over contractual issues relating tangentially to patented items. (Citation.) And while TLT [sic] sought to raise claims of illegality under federal law as a defense to enforcement of the settlement stipulation, its claims do not transform a state law case into a patent case within the exclusive jurisdiction of the federal courts. (Citation.) Thus we conclude the trial court retained concurrent jurisdiction to address such contractual issues under section 664.6.

(Pet. App. 7-8.)

The Court summarily rejected EFL's contention that the judgment purported to make an unlawful assignment in gross of EFL's trademark:

> Appellants contend this assignment of rights was illegal under federal trademark law because . . . it was a partial assignment that did not account for 'goodwill,' which appellants conceded at oral argument did not exist anyway.

(Pet. App. 17.)

E. EFL Petitions for Rehearing Based Upon the Court of Appeal's Misstatement of Fact and Legal Errors

EFL petitioned for rehearing on two grounds.

First, EFL pointed out that the Court of Appeal had misstated the facts by claiming that EFL had "conceded" at oral argument that no goodwill attached to its "The Tingler" trademark at the time of the purported settlement. EFL made no such concession at oral argument or anywhere else in the record. (Pet. Reh. at 6-7.)

Second, EFL showed that since a federally registered trademark is not a separate property right, but rather a symbol of goodwill, any attempt to transfer the trademark without transferring goodwill is an assignment in gross

and invalid on its face under Federal law. (Pet. Reh. at 7-9.) The Court of Appeal summarily denied EFL's petition for rehearing.

F. The California Supreme Court Denies EFL's Petition for Review

EFL filed a petition for review to the California Supreme Court. Once again, EFL argued that TLT's motion was within the exclusive jurisdiction of the Federal courts on the grounds that it "arose under" the patent laws. (Pet. for Rev. at 16-28.) EFL also pointed out that the purported assignment of EFL's federally registered trademark was an assignment "in gross," and invalid as a matter of Federal law. (Pet. for Rev. at 28-32.) The California Supreme Court denied EFL's petition for review.

REASONS FOR GRANTING THE WRIT

I. THE COURT OF APPEAL'S DECISION EXACERBATES CONFUSION IN THE LAW OF EXCLUSIVE FEDERAL PATENT JURISDICTION WHICH IS SO PERVASIVE THAT WRIGHT AND MILLER'S TREATISE CALLS THE AREA "ONE OF THE DARKEST CORRIDORS OF THE LAW OF FEDERAL COURTS AND FEDERAL JURISDICTION"

A. Civil Actions Which Arise Under the Federal Patent Laws Are Subject to the Exclusive Jurisdiction of the Federal Courts

Federal law provides that the Federal district courts have original jurisdiction of "any civil action arising under any Act of Congress relating to patents." That jurisdiction is "exclusive of the courts of the states in patent" cases. (28 U.S.C. § 1338.)

In order to determine whether a claim arises out of the Federal patent laws, the court looks to the necessary allegations of the plaintiff's well-pleaded complaint and

does not anticipate any possible defenses. The case is within the exclusive jurisdiction of the Federal courts where (1) federal patent law creates the cause of action, or (2) the plaintiff's right to relief under a state law claim necessarily depends upon the resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988). Merely because a claim makes no reference to federal patent law does not necessarily mean the claim does not "arise under" patent law; a plaintiff cannot defeat federal jurisdiction by the simple expedient of omitting to plead necessary federal patent law questions. *Id.* at 809, n. 3.

These apparently simple principles have proven extraordinarily difficult for the lower courts to apply. The result of the lower courts' struggles has been two distinct and fundamentally irreconcilable lines of authority regarding the subtle issue of when a case merely contains prominent patent law issues and when it "arises under" the patent laws. Because the decision of the California Court of Appeal contracts the scope of exclusive Federal jurisdiction over patent cases to nearly nothing, the time for the Court to intervene has come.

B. A State Law Claim Arises Under the Federal Patent Laws When the Plaintiff's Claim Necessarily Depends Upon the Resolution of a Substantial Question of Federal Law

1. State Law Contract Claims Held to Arise Under the Federal Patent Laws

U.S. Valves, Inc. v. Dray, 212 F.3d 1368 (Fed. Cir. 2000) involved a patent for an internal piston valve. The inventor of the valve and a partner formed a company to market the valve, and the inventor and the new company signed an exclusive licensing agreement for valves covered by the inventor's patent. A dispute arose, and the inventor

ultimately began marketing several kinds of valves himself. *Id.* at 1370-72. The company sued the inventor for breach of contract based upon the exclusive licensing agreement. *Id.* at 1371.

Although the case was on its face merely one for breach of an exclusive licensing agreement, the Federal Circuit nevertheless held that it arose under Federal patent law, triggering exclusive Federal jurisdiction. The court reasoned that to show that the inventor had breached the licensing agreement, the company was required to show that he had sold valves covered by the licensed patents. However, the inventor was selling a "sliding-ring" valve which he claimed was significantly different from the patented device – indeed, he had applied for a patent on the sliding ring valve. *Id.* at 1370-71, 1372. Therefore, in order to find a breach:

> A court must interpret the patents and then determine whether the sliding ring valve infringes these patents. Thus patent law is a necessary element of U.S. Valves' breach of contract action. Therefore, this court reaches the same conclusion as [the Seventh Circuit] and asserts jurisdiction.

Id. at 1372, citing *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998), *overruled on another point, Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999) and *Additive Controls v. Flowdata*, 986 F.2d 476 (Fed. Cir. 1993).

Hunter Douglas was a dispute over window shades covered by certain patents. Among other things, the plaintiff stated a claim under state law for injurious falsehood based upon the defendants' assertion that they held exclusive rights to sell shades covered by the patents. The plaintiff argued that the defendants' assertion was false because certain claims of the patent were invalid and all were unenforceable. *Hunter Douglas,* 153 F.3d at 1329. The Court held that since the sole grounds pleaded by the plaintiff for falsity – validity and enforceability of the patent claims – were substantial questions of federal

patent law, the plaintiff's claim was subject to exclusive federal jurisdiction. *Ibid.*; *3D Systems, Inc. v. Aarotech Laboratories, Inc.*, 160 F.3d 1373, 1377, n. 2 (Fed. Cir. 1998) (state law claim for trade libel based upon accusation of patent infringement subject to exclusive federal jurisdiction, since falsity of accusation was an element of claim).

Additive Controls was similar. There, the defendant obtained a patent for a flow meter. After negotiations with the plaintiff for a licensing agreement broke down, the plaintiff developed its own meter. The defendant responded by sending letters to plaintiff's customers and potential customers alleging that plaintiff's meter infringed defendant's patent. *Additive Controls*, 986 F.2d at 477. The plaintiff sued in state court for business disparagement.

One element of a prima facie case for the state law tort of business disparagement, the Federal Circuit noted, was the falsity of the alleged statements. Therefore, the plaintiff would be required, in order to make its case, to prove that its meter did not infringe the defendant's patent. Since infringement is a substantial question of federal patent law, this meant that the case arose under the patent laws and was subject to exclusive federal jurisdiction. *Id.* at 478-79.

University of West Virginia, Board of Trustees v. Vanvoorhies, 278 F.3d 1288 (Fed. Cir. 2002) was another breach of contract action. While working at the University of West Virginia, two inventors invented an antenna technology. After they filed a patent application, the inventors assigned all their rights in the invention as well as any subsequent continuation-in-part applications to the University. *Id.* at 1292-93. Following the assignment, one of the inventors created a second antenna technology. The University filed a patent application covering the second invention as a continuation-in-part of the first, and the inventor filed a separate patent application on his own behalf. *Id.* at 1293. The University then sued the inventor for breach of the assignment agreement. *Id.* at 1294. The

Court held that since the University's claim for breach of contract necessarily rested upon the issue of whether or not the second application was a continuation-in-part of the first – a substantial issue of federal patent law – the claim arose under Federal patent law. *Id.* at 1295.

Scherbatskoy v. Halliburton, 125 F.3d 288 (5th Cir. 1997) is another example of a matter pleaded as a state-law contract case which was held to arise under the federal patent laws. An inventor received a patent for certain drilling technology. The inventor assigned the patent to a family trust, and the trust licensed the technology to a small company which was subsequently acquired by Halliburton. The licensing agreement provided that if Halliburton acquired any new company which was using the technology with a license from the inventor's family trust, additional royalties would become payable. When Halliburton acquired a company allegedly using the technology but refused to pay additional royalties, the trust sued for breach of contract and breach of fiduciary duty. *Id.* at 289-90.

The Fifth Circuit held that a necessary element of the plaintiffs' state-law claims was the question of whether the newly acquired company's technology infringed the subject patent. Accordingly, the Court held that under the second prong of the *Christianson* test, the claim arose under Federal patent law, and the Court transferred the appeal to the Federal Circuit. *Id.* at 291.

2. State Law Contract Claims Held Not to Arise Under the Federal Patent Laws

The two leading cases for the conflicting line of authority are *Wilson v. Sandford*, 51 U.S. (10 How.) 99 (1850) and *Luckett v. Delpark*, 270 U.S. 496 (1926).

In *Wilson*, a patentee had licensed his invention to the defendant in consideration of five promissory notes. The license stated that the patent rights would revert to the inventor upon the defendant's failure to pay any note.

When the defendant failed to pay the first two notes, the plaintiff sued, alleging that the license had terminated, and seeking damages for the defendant's subsequent use of the invention as infringement. 51 U.S. at 102. The Court held that the case did not arise from the patent laws: "The rights of the parties depend altogether upon common-law and equity principles. The object of the bill is to have the contract set aside and declared to be forfeited."

The plaintiff in *Luckett v. Delpark* had licensed his patent to the defendants in return for payment of royalties and the defendants' commitment to "push vigorously" the sale of the product. The license agreement provided that if the defendant breached any covenant of the agreement, the patent rights would then revert to the inventor. A dispute arose, and the inventor cancelled the license, resumed control of his patent rights, and sued the defendants, stating thirteen prayers for relief in equity. 270 U.S. at 500-01.

"We do not think that this suit arises under the patent laws," the Court concluded. *Id.* at 502. Citing *Wilson v. Sandford*, the Court stated that "a suit by a patentee for royalties under a license or assignment granted by him . . . is not a suit under the patent laws of the United States, and cannot be maintained in a federal court as such." *Ibid.* The Court concluded that the attachment of exclusive Federal jurisdiction was entirely within the control of the plaintiff – if the plaintiff sued under a license or assignment contract for royalties, or for specific performance of the contract, then the case did not arise under the patent laws, but if the plaintiff chose to sue for patent infringement, and in anticipation of a possible defense alleged forfeiture of a license or assignment, then the case was subject to exclusive federal jurisdiction. *Id.* at 511.

Ballard Medical Prods. v. Wright, 823 F.2d 527 (Fed. Cir. 1987) involved an exclusive license covering certain patents for health-care products. The plaintiff sued for breach of contract, alleging that the plaintiff was manufacturing and selling products which fell within the

exclusive license. *Id.* at 529. In a decision which squarely conflicts with its subsequent decision in *U.S. Valves*, the Federal Circuit held that even where "the scope of a licensed patent may control the scope of a license agreement," the case did not as a result arise under the patent laws. *Id.* at 530.

In *Combs v. Plough, Inc.*, 681 F.2d 469 (6th Cir. 1982), the inventor of a packing device first assigned his patent rights to the defendant, and subsequently released his royalty rights under the assignment. The plaintiff later sued, alleging that the assignment and release were not free and voluntary acts, and seeking damages for the defendant's unlawful use of his invention. *Id.* at 470.

The Sixth Circuit held that the case did not arise under the federal patent laws. Citing *Luckett*, the Court noted that before the plaintiff could state a claim for patent infringement, he first had to persuade the court to invoke its equity jurisdiction and set aside the assignment and release. *Id.* at 471. "The general rule is that where an action is brought to enforce, set aside, or annul a contract, the action arises out of the contract, and not under the patent laws, even though the contract concerns a patent right," the Court said. *Id.* at 470.

Ausherman v. Stump, 643 F.2d 715 (10th Cir. 1981) was similar to *Combs*. There, the inventor had granted the defendant an exclusive license with respect to certain patents, and had assigned other patents to the defendant outright. Subsequently, a dispute arose, and the inventor sued, alleging that the assignments had been obtained by fraud and seeking an award of damages for the unlawful use of his inventions. *Id.* at 716-17.

The Court held that the case did not arise under the federal patent laws. Citing *Wilson* and *Luckett*, the Court invoked the "general rule" that a suit to enforce or annul a contract is not one arising under the patent laws, "even though the contract concerns a patent right." *Id.* at 718.

The Federal Circuit questioned the continuing viability of *Wilson* and *Luckett* and their progeny in *Kunkel v.*

Topmaster Intl., Inc., 906 F.2d 693 (Fed. Cir. 1990). The Court conceded that the facts in *Kunkel* were identical to the earlier cases – the plaintiff had licensed his invention to the defendant, who had then purportedly breached the license, and the plaintiff now sought damages for subsequent use as patent infringement. *Id.* at 694-95.

The Court pointed out that in both *Wilson* and *Luckett*, the plaintiffs sought equitable relief setting aside the licenses, and then relief at law awarding damages for patent infringement. However, both cases arose during an era when a plaintiff was barred from seeking equitable relief and relief at law in a single action. *Id.* at 696. Since that rule had been abolished with the adoption in 1938 of the Federal Rules of Civil Procedure, the Federal Circuit held that *Wilson* and *Luckett* did not govern, and found that the claim arose under the federal patent laws. *Id.* at 696-97; *see also Air Prods. and Chemicals, Inc. v. Reichhold Chemicals, Inc.*, 755 F.2d 1559 (Fed. Cir. 1985) (exclusive federal jurisdiction existed where plaintiff sought infringement damages on grounds license had terminated; "the fact that a question of contract law must be decided prior to reaching the infringement question does not defeat federal subject matter jurisdiction").

The Federal Circuit once again addressed this line of authority seven years after *Kunkel*, in *Jim Arnold Corp. v. Hydrotech Systems, Inc.*, 109 F.3d 1567 (Fed. Cir. 1997). There, an inventor had assigned his patent rights to a corporation in return for royalty payments. Several years after the assignment, the inventor had sold his own corporation to another entity, assigning all of his patent and contract rights to the buyer. A dispute later arose, and the inventor and his assignee sued the defendant, stating a variety of state-law claims and one claim for patent infringement. *Id.* at 1569-70. The plaintiffs filed suit in state court; the defendants then removed the case to federal court, which granted summary judgment on the merits. *Id.* at 1570-71. During oral argument on the merits, the Federal Circuit raised the issue of federal

jurisdiction *sua sponte* and ordered further briefing. *Id.* at 1569.

The Court acknowledged that in *Kunkel*, it had argued that *Wilson* and *Luckett* were no longer good law in the wake of the 1938 adoption of the Federal Rules of Civil Procedure. However, the *Jim Arnold* court repudiated that distinction, commenting that "the distinction between law and equity has continued viability today." *Id.* at 1578.

Nevertheless, the Court stated that the result in *Kunkel* was correct. The Court noted that *Wilson, Luckett, Air Products* and *Kunkel* had all involved license agreements, while the case before it involved an assignment. This was crucial because title to the underlying patent does not change in a license situation, but does so with an assignment. *Id.* at 1577. Therefore, in the case of a license agreement with a rescission clause, a plaintiff could properly assert that it owned the patent at the time of the allegedly unlawful use and seek damages for infringement. On the other hand, if the plaintiff had assigned his patent rights to someone else, he had to first recover those rights before he could pursue damages for the defendant's unlawful use of his invention. *Id.* at 1577-78.[2]

The Federal Circuit reached the same conclusion recently in *Pixton v. B&B Plastics, Inc.*, 291 F.3d 1324

[2] The Federal Court's treatment of *Wilson*, *Luckett* and *Kunkel* in *Jim Arnold Corp.* vividly illustrates the doctrinal chaos in this area of the law. On the one hand, the *Jim Arnold* court disputed the grounds upon which the *Kunkel* court had concluded that *Wilson* and *Luckett* were no longer good law. *Id.* at 1578. On the other hand, the court stated that *Kunkel* was correctly decided and "fully consistent with Supreme Court authority." *Ibid.* However, the court distinguished *Kunkel*, *Wilson* and *Luckett* on the basis of all three having involved a license, not an assignment, arguing that cases involving licenses – and thus no dispute about ownership of the underlying patent – were subject to Federal jurisdiction. But if *Kunkel*, *Wilson* and *Luckett* all had that crucial feature in common, and *Kunkel* was correctly decided, then it necessarily follows – although the court never acknowledged as much – that *Wilson* and *Luckett* are no longer good law.

(Fed. Cir. 2002). The inventor owned two patents for fishing lures, which he licensed to the defendant. The defendant later breached the license agreement, and the inventor notified the company that the license agreement was terminated and demanded that it cease and desist use of the patents. When the company failed to do so, the inventor sued for infringement. *Id.* at 1326.

Again making the distinction between a case involving a mere license as opposed to one involving assignment of patent rights, the Court held that jurisdiction was dependent upon whether the central issue in the case was ownership of patent rights, a state-law matter, or infringement of those rights by unlawful use of the product, a substantial question of federal patent law. *Id.* at 1327.

C. By Focusing on the Contract Issues and Disregarding the Fundamental Nature of The Case, The Court of Appeal Has Invented a State Court Claim for Patent Infringement and Shrunk Federal Jurisdiction to Nothing

The California Court of Appeal concluded that TLT's motion arose under state contract law, rather than Federal patent law, on the grounds that the patent issues involved were merely a "defense" to enforcement of the judgment. (Pet. App. 7.) By doing so, the Court of Appeal not only put itself squarely in conflict with the jurisprudence of the Federal Circuit discussed above, but shrank Federal patent law jurisdiction to nothing by cobbling together what amounts to a state-law claim for patent infringement.

The judgment does not purport to regulate EFL's sales of any and all head massager devices. The first three substantive paragraphs of the judgment speak only of sales of devices covered by the Lacey/365 patent. (Pet. App. 34-35.) During the hearing on TLT's motion, the trial court repeatedly made it quite clear that he was not attempting

to restrict EFL's sale of devices not covered by the Lacey/365 patent in any way. (RT 3:20-26 ("[EFL] just can't sell head massagers manufactured by someone other than TLT that are under the patent in question"); 9:24-10:1 ("to the extent that [Line 13] might be viewed as enjoining you from selling other head massagers that are not under patent '365 . . . [it] would have to be altered to make it clear that this only means patent '365"); 10:15-20 ("What I intend to say is they may sell other head massage devices, so long as they are not '365 head massage devices manufactured by someone other than TLT").)

So any attempt by TLT to enforce the trial court's judgment would necessarily involve TLT pleading and proving three elements: (1) EFL sold head massage devices; (2) which were "covered by" the Lacey/365 patent; and (3) those devices were not purchased from TLT. Determining whether a particular device is "covered by" the Lacey/365 patent would involve two steps: (1) construction of the claims of the Lacey/365 patent to determine their scope and meaning in light of the specification and prosecution history; and (2) comparison of the properly constructed claims with the accused device to determine whether the device meets each claim limitation, either literally or under the doctrine of equivalents. *Deering Precision Instr., LLC v. Vector Distribution Systems, Inc.*, 347 F.3d 1314, 1322, 1324 (Fed. Cir. 2003). Patent infringement, validity and enforceability are all substantial issues of Federal patent law within the meaning of 28 U.S.C. § 1338. *Hunter Douglas, Inc. v. Harmonic Design*, 153 F.3d at 1330-31; *Additive Controls & Measurement Systems v. Flowdata*, 986 F.2d at 478. Therefore, the judgment adds nothing substantive to the Lacey/365 patent – it is nothing more than a declaration that any claim for purported infringement by EFL of the Lacey/365 patent may now be brought by TLT in state court under the guise of a contempt action. As such, if permitted to stand, the decision will be the final step in transferring any patent infringement case into the state courts at the

option of the plaintiff on the grounds that it is "merely a contract case."

D. Because It Amounts to a State-Law Patent, the Judgment is Invalid Pursuant to the Supremacy Clause

In *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) the plaintiff had obtained design and mechanical patents for a "pole lamp." Sears, Roebuck copied the plaintiff's lamps, and the plaintiff sued for patent infringement, as well as bringing a state law claim for unfair competition. The district court invalidated the patents for want of invention, but then held Sears guilty of unfair competition. *Id.* at 226.

The Supreme Court held that the state lacked authority to punish the copying of a product which had been held unpatentable:

> [T]he patent system is one in which uniform federal standards are carefully used to promote invention while at the same time preserving free competition. Obviously a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents. To do either would run counter to the policy of Congress of granting patents only to true inventions, and then only for a limited time. Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws.

Id. at 230-31; *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238 (1964).

Bonito Boats, Inc. v. Thunder Craft Boats, 489 U.S. 141 (1989) involved a Florida statute which barred duplication of

boat hulls using a particular process called "direct molding." When a boat manufacturer sued to enjoin duplication of its hulls, the defendant argued that the Florida statute was preempted by Federal patent law. *Id.* at 144-46.

The Supreme Court agreed. "[S]tate regulation of intellectual property must yield to the extent that it clashes with the balance struck by Congress in our patent laws," the Court held. *Id.* at 152. "[T]hrough the creation of patent-like rights, the States could essentially redirect inventive efforts away from the careful criteria of patentability developed by Congress over the last 200 years." *Id.* at 157.

The Court of Appeal's holding here conflicts with *Sears*, *Compco* and *Bonito Boats*. Even if it were permissible for states to offer patents or their functional equivalent (which it is not), to avoid running afoul of these authorities, such protection would have to be no more expansive than the Federal patent, and would have to terminate immediately if the Federal patent were invalidated, whether by the Federal appellate courts or through the action of the USPTO. Since neither the Federal Circuit Courts of Appeals nor the USPTO has the authority to set aside the judgment of a lower state court, it follows that states may not offer patent-like protection through the vehicle of court judgments backed by the threat of contempt citations.

This is not a speculative concern. As noted above, the USPTO has issued an Office Action holding that every one of the claims of the Lacey/365 patent is invalid. (EFL's Second Request for Judicial Notice, Exh. 1.) The USPTO has already interpreted the Lacey/365 patent in the course of its reexamination. Although EFL believes that the Lacey/365 patent will ultimately and finally be invalidated, the reexamination process will presumably continue, whether through further administrative proceedings or an appeal to the United States Court of Appeals for the Federal Circuit, and resolution of those proceedings will require further interpretation of the patent. Since final

invalidation of the Lacey/365 patent will not automatically (without further action from the California courts) invalidate the judgment (although EFL would assuredly mount a collateral attack on the judgment under such circumstances), the judgment is contrary to the principles of *Sears, Compco* and *Bonito Boats*.

II. THE COURT OF APPEAL'S DECISION AFFIRMING THE ASSIGNMENT OF A FEDERALLY REGISTERED TRADEMARK WHICH THE COURT CLAIMED HAD NO ATTENDANT GOODWILL CONFLICTS WITH FEDERAL LAW AND NUMEROUS DECISIONS OF THE CIRCUITS

Neither the judgment nor the underlying "Stipulation for Settlement" and "Mediation Settlement Term Sheet" purports to transfer any goodwill along with the putative assignment of EFL's trademark.[3] Nonetheless, the California Court of Appeal affirmed the judgment assigning the trademark, merely commenting (incorrectly) that there was no goodwill in the trademark anyway.[4] (Slip op. at 13.)

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[3] The judgment provides that "all right, title and interest in and to Defendant's trademark 'Tingler,' for use in connection with the advertising or sale of Head Massager Devices covered by the patent" is assigned to Lacey. (App. IV:1015.) During the hearing on the motion, the trial court repeatedly made clear its intention that only rights with respect to devices covered by the Lacey/365 Patent should be assigned. (RT 6/25/03, 14:5-15:4; 17:6-12; 19:3-7; 22:21-23; 24:5-12; 24:27-25:6; 27:20-24.) As EFL pointed out before the trial court and Court of Appeal, the purported "assignment" is invalid as a matter of Federal law, which makes no provision for the partial transfer of ownership rights in a mark. (*See* 15 U.S.C. § 1060(a)(1)(providing for assignment of trademarks, but making no provision for a partial "assignment").)

[4] The court stated in its opinion that EFL conceded at oral argument that no goodwill existed in connection with the appellants' "The Tingler" trademark. (Slip op. at 13.) As appellants pointed out in their Petition for Rehearing, EFL made no such concession at oral argument, or anywhere else. What appellants' counsel said was that, at

(Continued on following page)

A. A Trademark is Not A Free-Standing Property Right Which Can Be Assigned or Transferred

A trademark is not a property right; it is an identifier. *Beanstalk Group, Inc. v. AM General Corp.*, 283 F.3d 856, 861 (7th Cir. 2002). The trademark symbolizes the public's confidence or goodwill in a particular product, and is insignificant if separated from that goodwill. *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 265 (5th Cir. 1999); *Berni v. International Gourmet Restaurants of America, Inc.*, 838 F.2d 642, 646 (2nd Cir. 1988). The mark serves several purposes: (1) it identifies the source of the goods, and distinguishes them from the similar goods of others; (2) it signifies that all goods bearing the mark are of like quality; and (3) it is valuable in advertising and sale of the goods. *Premier Dental Prods. Co. v. Darby Dental Supply Co.*, 794 F.2d 850, 853 (3d Cir. 1986).

"[T]he law is well settled that there are no rights in a trademark alone and that no rights can be transferred apart from the business with which the mark has been associated." (*E&J Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1289 (9th Cir. 1992); *Beauty Time, Inc. v. Vu Skin Systems, Inc.*, 118 F.3d 140, 150 (3d Cir. 1997); *see Marshak v. Green*, 746 F.2d 927, 929 (2nd Cir. 1984) ("There are no rights in a trademark apart from the business with which the mark has been associated; they are inseparable").)

The central consideration in applying this rule, the courts have explained, is avoiding consumer confusion regarding source and quality. *Sugar Busters LLC v.*

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the time of the settlement, no goodwill attached to the trademark *in connection with devices covered by the Lacey/365 patent.* Counsel went on to say, however, that EFL had continuously used the trademark from before the time of the settlement until the present in connection with devices covered by its own patent. Therefore, substantial goodwill attaches to the "The Tingler" trademark, but *only* in connection with these other uses which are unrelated to the settlement.

Brennan, 177 F.3d at 265; *Visa, U.S.A., Inc. v. Birmingham Trust Nat'l Bank*, 696 F.2d 1371, 1375 (Fed. Cir. 1982); *see Marshak v. Green*, 746 F.2d at 929 (use of the mark in connection with a different product and different good will "would result in a fraud on the purchasing public who reasonably assume that the mark means the same thing, whether used by one person or another").) Therefore, courts have approved assignments only in limited circumstances, such as transfers from the foreign manufacturer of a particular good to its distributor, or where the assignee makes substantially the same good, of the same quality, that the assignor has under the trademark.

For example, *Intl. Cosmetics Exchange, Inc. v. Gapardis Health & Beauty, Inc.*, 303 F.3d 1242 (11th Cir. 2002) involved a challenge to the transfer of a mark from the foreign manufacturer of certain goods to the American distributor. The court noted that the goodwill associated with the mark had been created through the promotional efforts of the American distributor. Therefore, the transfer was not "in gross" because it "continued the association of the [trademark] with the very goods which created its reputation." *Id.* at 1246; *Vittoria North America, LLC v. Euro-Asia Imports Inc.*, 278 F.3d 1076, 1082-84 (10th Cir. 2001).

Courts have held that trademarks cannot be validly assigned unless the distinction between the products or services of the assignor and assignee is minor and inconsequential. For example, in *Sugar Busters LLC v. Brennan*, 177 F.3d at 267, the Court held that a trademark could not be validly assigned from a retail store featuring products for diabetics to an assignee proposing to use the mark on a diet book geared towards diabetics. In *Marshak v. Green*, 746 F.2d at 929-30, the Court held that a mark could not be assigned from one singing group to another, because there would be no continuity in the quality or style of music. Similarly, the Court in *Pepsico, Inc. v. Grapette Co.*, 416 F.2d 285, 288-89 (8th Cir. 1969) held

that an attempted trademark assignment from a manufacturer of cola-flavored syrup to an assignee wishing to manufacture a pepper-flavored soft drink was void because the products were distinct.

B. Because There Was No Finding That Goodwill Was Transferred in Connection with Lacey/365 Patents, The Court of Appeal's Affirmance of the Assignment of EFL's Trademark Was Erroneous

Contrary to every one of the cases set forth above, the Court of Appeal held herein that a trademark can be validly "assigned" separately from any goodwill which the mark symbolizes. (Pet. App. 17.) That conflict of authority justifies this Court's intervention.

If the Court had properly analyzed the evidence in the record, the Court would have concluded that the assignment was void as a matter of Federal law. There was no goodwill associated with the "The Tingler" trademark in connection with use in head massagers covered by the Lacey/365 patent. Prior to the mediation, on advice of counsel, EFL abandoned use of the mark in connection with massagers covered by that patent. Since December 2001, EFL has used the mark only in connection with head massager devices covered by the EFL/980 patent. (RT 20.) Such devices are not substantially similar to devices covered by the Lacey/365 patent – the USPTO has found to the contrary in concluding that the EFL/980 patent should issue over the Lacey/365 patent.

Moreover, there can be no dispute on this record that EFL created and owned the goodwill associated with the trademark in a manner analogous to the facts which the Court found decisive in *Intl. Cosmetics Exchange, Inc. v. Gapardis Health & Beauty, Inc.*, 303 F.3d at 1246. The parties' agreement made EFL responsible for promotion and sale of "The Tingler." (App. I:141; II:496.) The parties also agreed that EFL would retain all right, title and

interest in its trademark after the termination of the contract. (App. I:145-46.) EFL, McLain and Robbins expended significant effort promoting "The Tingler", with considerable success. (App. II:498-500.)

The Court of Appeal's decision affirming the "assignment" of EFL's trademark independently of the goodwill it symbolizes is contrary to a host of decisions of the Federal Circuits. The petition for writ of certiorari should be granted.

CONCLUSION

The opinion of the California Court of Appeal conflicts with numerous important decisions by this Court and the federal Circuit Courts of Appeals in the areas of patent and trademark law. The petition for writ of certiorari should be granted to resolve the conflict.

Respectfully submitted,

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NOT TO BE PUBLISHED IN OFFICIAL REPORTS

California Rules of Court, rule 977(a), prohibits courts and parties from citing or relying on opinions not certified for publication or ordered published, except as specified by rule 977(b). This opinion has not been certified for publication or ordered published for purposes of rule 977.

IN THE COURT OF APPEAL OF THE
STATE OF CALIFORNIA

FIRST APPELLATE DISTRICT

DIVISION FIVE

TENDER LOVING THINGS, INC., **Plaintiff and Respondent,** **v.** **WENDY ROBBINS et al.,** **Defendants and Appellants.**	**No. A103989.** **(San Francisco County Super. Ct. No. 323619)**

(Filed Apr. 20, 2005)

The trial court entered an order under Code of Civil Procedure section 664.6, enforcing a written stipulation for settlement that had been signed by the parties after a mediation session. Appellants challenge the trial court's order, contending: (1) the trial court lacked subject matter jurisdiction to order enforcement of the settlement, because the settlement concerned patent issues that are assertedly within the exclusive jurisdiction of the federal courts; (2) the settlement agreement should not have been enforced because it was too uncertain, contained an allegedly unlawful provision relating to the assignment of a trademark, and was procured by fraud or mistake; and

(3) the trial court abused its discretion by failing to reconsider its prior ruling enforcing the settlement agreement.

I. FACTS AND PROCEDURAL HISTORY

We first briefly summarize the underlying litigation, for purposes of background. Appellants Wendy Robbins (Robbins), Everything for Love, Inc. (EFL), and Jorli McLain (McLain) were involved in disputes with respondent Tender Loving Things, Inc. (TLT), concerning the manufacturing and marketing of a massage device called the "Tingler." The Tingler is a massage device made from copper wires that proceed out of a handle, somewhat resembling a distended whisk broom. If the Tingler is placed over the scalp, it reportedly produces pleasurable sensations similar to "goosebumps." Robbins and McLain had based the Tingler device on another earlier device, the "Orgasmatron." An Australian inventor, Dwayne Lacey, held Australian patent rights relating to the Orgasmatron.

In July 2000, Robbins and McLain were at a trade show in Atlanta, Georgia and met Mark Juarez, the owner of TLT. Juarez told Robbins and McLain that he had the industry contacts and knowledge to properly market the Tingler. Several months later, EFL and TLT entered into a contract, the Manufacturing and Sales Support Agreement, in which they agreed to work together in manufacturing and marketing the Tingler.

Unfortunately, the business relationship between EFL and TLT did not turn out to be harmonious, and many disputes arose over marketing issues, in which each party accused the other of violating the terms and spirit of their original agreement. This original agreement had called for private arbitration of disputes under the auspices of the

American Arbitration Association (AAA), but those efforts were unsuccessful. The parties' disputes resulted in the filing of an action in state court, and then parallel litigation in federal court. The federal court litigation proceeded to the point of an interim order by Federal District Judge Martin Jenkins, who ruled for EFL on certain issues, but ruled for TLT on other points.

Appellants and TLT next entered into an agreement to attend a mediation session with the JAMS mediation service, in an attempt to settle their differences. Following a mediation session, the parties and their counsel entered into a written eight page "STIPULATION FOR SETTLEMENT [¶] C.C.P. 664.6" in which they recounted the terms of their settlement. The stipulation for settlement is a standard preprinted form, with blanks filled in by handwriting. Attached to the form were additional typed pages, called a "Term Sheet," which extensively listed numerous detailed terms of the agreement regarding manufacturing and marketing of the Tingler. As an example, the stipulation for settlement stated: "1. TLT will be the exclusive manufacturer of head massage devices under U.S. Patent # 6309365 [sometimes referred to as the 365 patent], for delivery to and sale by EFL. . . . [¶] 2. Unit price will be $2.00 each, FOB Shanghai, China. . . . [¶] 3. EFL will pay $0.90 per unit to TLT (TLT royalty payment). [¶] 4. EFL will pay $0.90 per unit to Lacey (Lacey royalty [payment]). . . . " The stipulation for settlement also stated: "EFL to assign 'Tingler' trademark to Lacey, and sell under exclusive license back of 'Tingler' trademark from Lacey. . . . License back subject to minimum annual royalty payment to Lacey of no less than $90,000 or exclusive license becomes nonexclusive." An examination of the entire stipulation for settlement in context is

helpful, in order to appreciate the level of detail and specificity reached by the parties. For this purpose, a copy of the parties' agreement is attached to this opinion as appendix A.

The stipulation for settlement mentioned and apparently contemplated preparation and execution of a more formal "final agreement" that would contain additional incidental terms, such as a provision for a binding dispute resolution procedure: "Final agreement to include ADR provisions with mediation, facilitation and arbitration provisions to be agreed between parties." No such final agreement was ever completed, despite months of negotiations. However, the stipulation also provided in relevant part that the stipulation *itself* could be enforced as a judgment under the terms of section 664.6: " . . . this agreement may be enforced by any party hereto by a motion under Code of Civil Procedure § 664.6 or by any other procedure permitted by law in the Superior Court of San Francisco County. . . . " The stipulation is signed by both appellants and their counsel, as well by TLT and its representatives.

TLT later sought enforcement of the settlement stipulation in the superior court, under the terms of Code of Civil Procedure section 664.6.[1] Appellants opposed the motion.

The motion for enforcement was granted by the trial court, after a hearing. Appellants filed objections to the proposed order prepared by counsel for TLT, but the court entered an order that reaffirmed its ruling, and entered a

[1] All subsequent statutory references are to the Code of Civil Procedure, unless otherwise indicated.

judgment and injunction ordering enforcement of the settlement.

II. DISCUSSION

A. Trial Court Jurisdiction

At the outset we face a jurisdictional question, which raises a purely legal issue. (See *Robbins v. Foothill Nissan* (1994) 22 Cal.App.4th 1769, 1774.) When this appeal was first calendared for oral argument, appellants submitted new authority suggesting that the trial court lacked subject matter jurisdiction to hear the motion to enforce the settlement under section 664.6. Appellants contended the subject matter of the motion to enforce related to a patent, and was within the exclusive jurisdiction of the federal courts. Because their contention raised nonwaivable issues of subject matter jurisdiction, we invited both parties to file supplemental briefing on this issue. (See *Miranda v. 21st Century Ins. Co.* (2004) 117 Cal.App.4th 913, 920.)

In light of the supplemental briefing by the parties, we conclude the trial court did have subject matter jurisdiction. First, under title 28 United States Code section 1338(a), the federal district courts "shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . . . *Such jurisdiction shall be exclusive of the courts of the states in patent . . . cases.*" (Italics added.) This provision has been interpreted to mean that the federal courts have exclusive jurisdiction only over "patent cases" seeking to determine patent infringement and patent validity, and the state courts retain concurrent jurisdiction over other matters relating

tangentially to patents, such as contract actions concerning patent matters and royalties. (See *Hunter Douglas, Inc. v. Harmonic Design, Inc.* (Fed.Cir. 1998) 153 F.3d 1318, 1324, 1337-1338 (*Hunter*).)

Authority from the First Appellate District makes clear that California courts retain and may exercise concurrent jurisdiction over matters relating tangentially to patent issues, such as legal claims arising from a contract to share proceeds from the marketing of a patented and licensed device. (*Rogers v. Hensley* (1961) 194 Cal.App.2d 486, 488-491 (*Rogers*).) There, the court addressed legal issues arising from a contract for the manufacturing, licensing, and marketing of a patented device, a "dozer ripper" that attached onto the edge of the blade of a bulldozer, and was designed for ripping the earth. (*Id.* at p. 488.) The pleadings raised primarily contractual claims of breach of contract, but also sought an accounting and injunctive relief. *Rogers* concluded that state courts had subject matter jurisdiction, despite the incidental involvement of patent issues: "Since the 'case' is founded on the law of contracts and on equity and thus within the jurisdiction of the state court, so also are the incidental 'questions' of the validity and of the claim and scope of the patents of the respective parties." (*Id.* at p. 491.) *Rogers* cited and followed on this point the decision of the California Supreme Court in *Farmland Irrigation Co. v. Dopplmaier* (1957) 48 Cal.2d 208, 216-218 (*Farmland*), which held that a contract action was not required to be heard exclusively in federal court merely because it dealt with patent rights. In the words of the high court: "Every action that involves, no matter how incidentally, a United States patent is not for that reason governed exclusively by federal law." (*Id.* at p. 216.) Of course, we are bound by

and follow the rulings of our Supreme Court. (*Auto Equity Sales, Inc. v. Superior Court* (1962) 57 Cal.2d 450, 455.)

TLT urges us to uphold the exercise of state court jurisdiction, relying on this *Farmland* and *Rogers* line of authority, and the decision of the Fourth Appellate District in the much more recent case of *Durgom v. Janowiak* (1999) 74 Cal.App.4th 178, 186 (*Durgom*). Although *Durgom* was not a patent case, it nevertheless dealt with an analogous copyright issue. *Durgom* arose in the context of a breach of contract claim that involved the sharing of royalties on a copyrighted song, *Nature Boy*. (*Id.* at p. 180.) *Durgom* applied to the field of copyrights a rule consistent with the conclusion in *Rogers, supra,* 194 Cal.App.2d at pages 488-491, which held that legal claims arising from a contract to share proceeds from the marketing of a licensed device, are not within the exclusive jurisdiction of the federal courts, even though issues related to patents may also arise in the litigation.

Similarly, in the present case, the trial court was called upon to enforce a settlement agreement, a contract allegedly entered into by the parties, pertaining to their dispute over the manufacturing and licensing of a patented device. (See *Rogers, supra,* 194 Cal.App.2d at pp. 488-491.) Only issues of state contractual and equitable principles were raised by TLT's pleading. Although the Tingler device was patented, this fact alone is not determinative, because Congress did not intend to displace all state court jurisdiction over contractual issues relating tangentially to patented items. (*Rogers, supra,* at pp. 488-491.) And while TLT sought to raise claims of illegality under federal law as a defense to enforcement of the settlement stipulation, its claims do not transform a state law case into a patent case within the exclusive jurisdiction of

the federal courts. (See *ibid.; Hunter, supra,* 153 F.3d at pp. 1324, 1337-1338.)[2] Thus we conclude the trial court retained concurrent jurisdiction to address such contractual issues under section 664.6. (*Rogers, supra,* at pp. 488-491.) We next proceed to the merits.

B. ENFORCEMENT OF A SETTLEMENT UNDER SECTION 664.6

1. Standard of Review

Section 664.6 allows a trial court to enforce settlement agreements, without the need to file a new lawsuit. (*Weddington Productions, Inc. v. Flick* (1998) 60 Cal.App.4th 793, 809 (*Weddington*).) Section 664.6 reads: "If parties to pending litigation stipulate, in a writing signed by the parties outside the presence of the court or orally before the court, for settlement of the case, or part thereof, the court, upon motion, may enter judgment pursuant to the terms of the settlement. If requested by the parties, the court may retain jurisdiction over the parties to enforce the settlement until performance in full of the terms of the settlement."

The parties dispute the applicable standard of review we are to apply in reviewing an order enforcing a judgment under section 664.6. Appellants argue for de novo review, and respondent urges that we apply a substantial evidence standard.

[2] Nor was the trial court's order a mere "advisory opinion" on issues of federal law, as appellants also now argue. The trial court's order enforced a settlement agreement under state law, and did not constitute an advisory opinion under federal law.

In ruling on a motion to enforce a settlement pursuant to section 664.6, the trial court may act as a finder of fact, and it may rely on documentary evidence, oral testimony, or other admissible evidence. (*Kohn v. Jaymar-Ruby, Inc.* (1994) 23 Cal.App.4th 1530, 1533-1534 (*Kohn*) [Per Haning, J.].) An appellate court may determine only whether the resulting decision is supported by substantial evidence. (*Kohn, supra,* at p. 1533; accord, *Skulnick v. Roberts Express, Inc.* (1992) 2 Cal.App.4th 884, 889 [substantial evidence test should be applied in reviewing a ruling on a motion to enforce a settlement agreement]; *Fiore v. Alvord* (1985) 182 Cal.App.3d 561, 565 [Per King, J.].) This standard has been consistently applied where the lower court was called upon to determine, as a trier of fact, whether the parties in fact had manifested a settlement contract by mutual assent to material terms. (*In re Marriage of Assemi* (1994) 7 Cal.4th 896, 911; *In re Marriage of Hasso* (1991) 229 Cal.App.3d 1174, 1180; see also *Corkland v. Boscoe* (1984) 156 Cal.App.3d 989, 991-995 [Per King, J., determining that a settlement included the requirement that certain documents be executed].)

Under the substantial evidence rule, we must uphold the lower court's ruling if it is reasonable and supported by substantial evidence. Substantial evidence means "evidence of ponderable legal significance . . . that is reasonable, credible and of solid value." (*Roddenberry v. Roddenberry* (1996) 44 Cal.App.4th 634, 651.) This court must also view the evidence in the light most favorable to the trial court's order, presume every fact the trier of fact could reasonably have deduced from the evidence, and defer to the trier of fact's determination of its weight and credibility. (*Campbell v. Southern Pacific Co.* (1978) 22 Cal.3d 51, 60.) When a determination of a trial court is

challenged on the ground that there is no substantial evidence to support it, the "power of an appellate court begins and ends with the determination as to whether, on the entire record, there is substantial evidence, contradicted or uncontradicted, which will support the determination. . . . " (*Bowers v. Bernards* (1984) 150 Cal.App.3d 870, 873-874 (*Bowers*), italics omitted.)

However, where a pure issue of law is raised, concerning the application of legal principles to undisputed facts, we exercise de novo review. (*Wackeen v. Malis* (2002) 97 Cal.App.4th 429, 437; accord, *Williams v. Saunders* (1997) 55 Cal.App.4th 1158, 1162; *Weddington, supra,* 60 Cal.App.4th at p. 815; see also *Murphy v. Padilla* (1996) 42 Cal.App.4th 707, 711 ["[T]he trial court's factual determination on a motion to enforce settlement will be affirmed if the court's ruling is supported by substantial evidence. [Citation.] We make such a determination, however, only after deciding whether the parties meet the statutory conditions of section 664.6. Construction and application of a statute involve questions of law, which require independent review. [Citation.]"] (*Murphy*); accord, *Kohn, supra,* 23 Cal.App.4th at pp. 1533-1535 [resolving factual disputes under substantial evidence standard, but determining legal issues de novo].)

2. The Stipulation for Settlement is Sufficiently Certain.

Appellants maintain that the terms of the stipulation for settlement are not certain, and the agreement is unenforceable. The trial court rejected this claim, finding the stipulation contained all the essential terms of the settlement.

We will review the trial court's factual findings for substantial evidence, but as to the ultimate legal question of whether the settlement agreement is sufficiently certain to be enforced, we must exercise de novo review to ascertain whether all essential contractual terms are contained in the settlement stipulation, and were not left for later determination. (See *Weddington, supra,* 60 Cal.App.4th at p. 813.)

On the question of certainty, we apply well settled contractual principles. "A contract which leaves an essential element for future agreement of the parties is usually held fatally uncertain and unenforceable. . . . [¶] Although an agreement cannot be specifically enforced unless the terms are 'sufficiently certain to make the precise act which is to be done clearly ascertainable' [citation], the modern trend of the law favors carrying out the parties' intentions through the enforcement of contracts and disfavors holding them unenforceable because of uncertainty. [Citations.] 'The defense of uncertainty has validity only when the uncertainty or incompleteness of the contract prevents the court from knowing what to enforce.' [Citation.] At bottom, '[i]f the parties have concluded a transaction in which it appears that they intend to make a contract, the court should not frustrate their intention if it is possible to reach a fair and just result, even though this requires a choice among conflicting meanings and the filling of some gaps that the parties have left. [Fn. omitted.]' [Citation.]" (*Okun v. Morton* (1988) 203 Cal.App.3d 805, 817 (*Okun*); accord, *Krantz v. BT Visual Images* (2001) 89 Cal.App. 4th 164, 175-176; *Ersa Grae Corp. v. Fluor Corp.* (1991) 1 Cal.App.4th 613, 623 (*Ersa Grae*).)

Okun is somewhat instructive. There, the parties executed a partnership agreement in which they included

a provision that the plaintiff would have the right to participate in future Hard Rock Café business opportunities " 'in the same ratio [in] which [he] currently hold[s] stock in HRC.'" (*Okun, supra,* 203 Cal.App.3d at p. 812.) The defendant argued that this provision was not sufficiently certain to permit specific performance, in that the agreement failed to address the manner in which liabilities were to be shared between the parties, the effect of offering other investors the opportunity to participate, and when and how the defendant must offer the plaintiff the right to invest. The appellate court found that these were "omissions of detail," and not uncertain material terms that would render the provision unenforceable. (*Id.* at pp. 818-819.)

Similarly, in the present case, appellants argue that the stipulation for settlement, as well as other relevant circumstances such as the omission of a final resolution as to certain terms, proves that the parties did not intend it to be a binding contract. They argue that the terms of the assignment and licensing back of the Tingler trademark were not sufficiently spelled out, and they also point out there was no final agreement as to whether private arbitration was available as a remedy for breach of the parties' stipulation. We disagree with appellants' contentions in this regard, and for the reasons that follow, conclude that the stipulation for settlement constituted a binding settlement agreement between the parties. (See *King v. Stanley* (1948) 32 Cal.2d 584, 591 (*King*); *Meyer v. Benko* (1976) 55 Cal.App.3d 937, 942-943.)

Upon reading the eight page written document executed by the parties, we are struck by its specificity. For example, consider the following language from the term sheet: "1. TLT will be the exclusive manufacturer of head

massage devices under U.S. Patent # 6309365 [the 365 patent] for delivery to and sale by EFL. . . . [¶] 2. Unit price will be $2.00 each, FOB Shanghai, China. . . . [¶] 3. EFL will pay $0.90 per unit to TLT (TLT royalty payment). [¶] 4. EFL will pay $0.90 per unit to Lacey (Lacey royalty)" This was followed by the entry: "EFL to assign 'Tingler' trademark to Lacey, and sell under exclusive license back of 'Tingler' trademark from Lacey. . . . License back subject to minimum annual royalty payment to Lacey of no less than $90,000 or exclusive license becomes nonexclusive." As to the enforceability of these terms, the parties agreed:. " . . . this agreement may be enforced by any party hereto by a motion under Code of Civil Procedure § 664.6 or by any other procedure permitted by law in the Superior Court of San Francisco County. . . ."

Appellants however argue that subsequent negotiations for a formal draft agreement, as well as the parties' current dispute, demonstrates that essential elements were left for future determination, and that the stipulation for settlement was intended to be a mere agreement to agree, rather than the agreement itself. We do not agree. (See *Ersa Grae, supra,* 1 Cal.App.4th at p. 624, fn. 3.) The language calling for preparation of a final agreement merely reflects the parties' desire, ascertainable from the stipulation for settlement itself, to flesh out some of the incidental details, including, for example, more specific provisions regarding arbitration of disputes. The settlement stipulation contained, albeit in a somewhat informal format, all of the crucial elements of the parties' agreement. (*Ibid.*)

As the court in *Ersa Grae* explained: "The fact that an agreement contemplates subsequent documentation does not invalidate the agreement if the parties have agreed to

its existing terms. [Citation.] ['"Any other rule would always permit a party who has entered into a contract like this . . . to violate it, whenever the understanding was that it should be reduced to another written form, by simply suggesting other and additional terms and conditions. If this were the rule the contract would never be completed in cases where, by changes in the market, or other events occurring subsequent to the written negotiations, it became the interest of either party to adopt that course in order to escape or evade obligations incurred in the ordinary course of commercial business."']; [citation.]" (*Ersa Grae, supra,* 1 Cal.App.4th at p. 624, fn. 3; see also *King, supra,* 32 Cal.2d at p. 591 [existence of intent to reduce informal writing to a formal written contract "would not necessarily prevent a binding obligation from arising, notwithstanding the contemplated written or formal contract was never executed [citations], unless it also appeared that the parties agreed or intended not to be bound until a formal written contract was executed [citation]"]; cf. *Kohn, supra,* 23 Cal.App.4th at p. 1534 ["'"When parties orally agree upon all the terms and conditions of an agreement with the mutual intention that it shall thereupon become binding, the mere fact that a formal written agreement to the same effect is to be prepared and signed does not alter the binding validity of the oral agreement"'"].)

Appellants stress that some of the terms of the written agreement of the parties' understanding included a licensing agreement, and a related royalty payment of 90 cents per Tingler, and other terms that were "consistent with" another agreement involving Dwayne Lacey: "EFL to assign 'Tingler' trademark to Lacey, and sell under exclusive license back of 'Tingler' trademark from Lacey.

Term consistent with TLT/Lacey agreement." The parties likewise provided: "Agreement subject to approval by Lacey as to terms implicating Lacey rights." According to appellants' then-counsel, he was shown an unsigned, undated copy of a TLT-Lacey agreement, and he was told by the mediator or by opposing counsel that the terms stated in the mediation term sheet were "parallel" to that other agreement.

It is apparent that some of the terms contained in the stipulation for settlement were arrived at, based in part on a written draft agreement with Lacey, a copy of which was used by counsel and the mediator at the mediation session as a point of reference. However, such a cross-referencing of terms from another document (the TLT/Lacey agreement) without attaching it, does not render the stipulation for settlement fatally uncertain, as all the essential terms in question (i.e., a royalty of 90 cents per unit) were restated in the settlement agreement. (See *Weddington, supra,* 60 Cal.App.4th at p. 813; *Okun, supra,* 203 Cal.App.3d at p. 819.) As the court in *Okun* explained: "Even when the uncertainty of a written contract goes to '"the precise act which is to be done" [citation], extrinsic evidence is admissible to determine what the parties intended. [Citations.] It is only when the extrinsic evidence fails to remove the ambiguity that specific performance must be refused.' [Citations.]" (*Okun, supra,* at p. 819.) Here, specific performance was possible, because all the relevant terms were stated with sufficient specificity. The fact that the stipulation for settlement was potentially subject to Lacey's veto of some of its provisions, insofar as they related to him, did not render the stated terms fatally uncertain. There is no evidence that Lacey ever sought to veto or change any of the terms that were stated in the

agreement, and the trial court as a factual matter rejected appellants' claims that there was any fatal ambiguity or uncertainty in the stipulation as a result of these provisions, a ruling that is supported by substantial evidence. (See *Weddington, supra,* 60 Cal.App.4th at p. 813.)

In a related argument, appellants point to the absence of a final agreement as to whether private arbitration could be invoked as a remedy for a breach of the agreement. The stipulation for settlement stated: "[F]inal agreement to include ADR provisions with mediation, facilitation and arbitration provisions to be agreed between parties." There was no subsequent agreement between the parties as to the specific terms of this arbitration provision. Nevertheless, the absence of a more specific agreement on this topic is not fatal. Under the circumstances, the addition of more specific alternate dispute resolution (ADR) provisions as a remedy for a breach of the agreement would be a minor or incidental term that does not go to the heart of the settlement agreement, or impair its enforceability. (See *Weddington, supra,* 60 Cal.App.4th at p. 813.) As the lower court found, absent any further agreement as to mediation, facilitation, and arbitration provisions, the parties would simply take their dispute to court, which is the normal rule, and which they had agreed to do through enforcement under section 664.6. The fact that a breach would be addressed by a court rather than an arbitrator did not make the terms of the underlying settlement uncertain, nor did it prevent the court from enforcing the substantive terms of the agreement. (*Weddington, supra,* at p. 813.)

3. Claim of Illegality

Appellants next contend the stipulation for settlement contains an illegal provision regarding the assignment of rights. The trial court rejected this argument at the threshold, finding there was no such illegality.

"Whether a contract is illegal . . . is a question of law to be determined from the circumstances of each particular case. [Citation.]" (*Jackson v. Rogers & Wells* (1989) 210 Cal.App.3d 336, 349-350.)

As mentioned, *ante,* the stipulation for settlement contains a provision concerning assignment of rights in the Tingler trademark from EFL to Lacey, who would then license trademark rights back to EFL: "EFL to assign 'Tingler' trademark to Lacey, and sell under exclusive license back of 'Tingler' trademark from Lacey. . . . License back subject to minimum annual royalty payment to Lacey of no less that $90,000 or exclusive license becomes nonexclusive." Appellants contend this assignment of rights was illegal under federal trademark law, because its term was not explicitly limited to the term of the Lacey patent; and it was a partial assignment that did not account for "goodwill," which appellants conceded at oral argument did not exist anyway. Appellants also maintain the court's order erroneously enforced the stipulation for settlement by using language in the present tense (ordering the assignment of rights in the Tingler), even though the settlement stipulation spoke of a future assignment.

The trial court rejected appellants' contentions, finding that the agreement, when considered in context, was impliedly limited to the term of the Lacey patent:. "I don't think this agreement on its face requires you to pay a licensing fee after the patent expires. On its face you are

required to pay a license fee under the patent. Well, once the patent expires, you don't have an obligation to pay. And so that seems to me also to be clear and intended here. This does not intend something for you to pay or even to make purchases exclusively from this entity after that point in time. So I don't see how this contract could be viewed as being a contract that extends beyond the life of the existing patent."

This is certainly the most plausible interpretation of the language of the stipulation, when considered in the context of the evidence and the parties' likely intent. It is also consistent with the general rule that a contract should be interpreted to avoid illegality, if possible. (Civ. Code, § 1643.) "A contract must receive such an interpretation as will make it *lawful,* operative, definite, reasonable, and capable of being carried into effect, if it can be done without violating the intention of the parties." (Civ. Code, § 1643, italics added.) "Pursuant to this rule, we will not construe a contract in a manner that will render it unlawful if it reasonably can be construed in a manner which will uphold its validity." (*People v. Parmar* (2001) 86 Cal.App.4th 781, 802.) The stipulation for settlement may fairly be construed in a manner that will uphold its validity. (*Ibid.*)

As to the court's choice of language in its order, we note that it merely compelled EFL to assign the Tingler trademark to Lacey, which is precisely what the parties had agreed to do. Notwithstanding appellants' protestations to the contrary, we find the trial court properly interpreted the settlement as having a legal object, and thus the claim of illegality fails.

4. Claim of Fraud or Mistake

Arguing that inaccurate or untrue representations were made to them during the mediation sessions, regarding the contractual relationship between TLT and Lacey, appellants maintain the stipulation for settlement was reached as a result of fraud or mistake. According to appellants, there were three related misrepresentations: "(1) as a condition of agreeing to enter into an exclusive licensing agreement with TLT, Lacey had required that TLT assign its trademark to him; (2) TLT paid Lacey a royalty of ninety cents per unit, and any agreement between TLT and EFL would therefore have to provide the same payment; and (3) a significant portion of the royalty payments TLT had made to Lacey were set aside for enforcing Lacey's American patent."

Appellants suggest, without any convincing proof, that these representations may not have been entirely true, and that someone may even have intentionally misled them during the mediation session. According to appellants' then-counsel, he was shown an unsigned, undated copy of the Lacey agreement, and he was told by the mediator or by opposing counsel that the terms stated in the mediation term sheet were "parallel" to that agreement. Later, appellants learned, perhaps from their own counsel, that no final, executed, and dated copy of the Lacey agreement had been shown at the mediation session.

Appellants' claims of fraud and mistake raised issues of fact for the trial court. The trial court rejected these claims, and ruled that the settlement was entered into without fraud or mistake. We review appellants' claims only for substantial evidence, mindful that issues of fact,

including credibility, were for the trial court to decide. (See *Kohn, supra,* 23 Cal.App.4th at p. 1533.)

It is noteworthy that appellants base their claims on the positions taken by opposing parties in a mediation session, at which appellants were represented by counsel. According to appellants, they were under the impression at the mediation session that an agreement had been reached between respondent and Lacey, and yet the agreement with Lacey shown to their attorney was allegedly not signed and dated. Appellants were not required to rely on any representations from their adversaries or their own attorney in those negotiations. They were certainly free to challenge these assertions, dispute them, or demand evidence to support them. In this context, the arguments and assertions of the parties, in stating their position during a settlement negotiation session, are similar to the arguments and assertions made by parties or their counsel in court proceedings. Because they are made in a representative capacity, and are intended to present a parties' position in a favorable light, proving falsity is most difficult. Here, appellants have offered no clear evidence that any representations made during the mediation session were untrue. In light of the lack of relevant evidence on this critical point, and the limited scope of our review, we conclude the trial court (as the trier of fact) properly rejected appellants' claims of fraud and mistake. (*Kohn, supra,* 23 Cal.App.4th at p. 1533.)

5. Denial of Motion for Reconsideration

A party seeking reconsideration under section 1008 must present a showing of new facts or law that could not with reasonable diligence have been raised previously.

(*Lucas v. Santa Maria Public Airport Dist.* (1995) 39 Cal.App.4th 1017, 1027-1028 (*Lucas*).) We may review a trial court's denial of a motion for reconsideration only for an abuse of discretion. (*Ibid.*) Appellants contend the trial court erred by denying their motion seeking reconsideration under section 1008.

TLT asserts that appellants never filed a motion for reconsideration under section 1008. This assertion appears to be correct. Appellants made various technical objections to the wording of the trial court's order enforcing the settlement stipulation, as prepared by counsel for TLT. The written objections essentially reargued many of the same legal issues appellants had previously raised before the trial court, which we have already addressed in this opinion. The court then entered another brief order that reconfirmed its prior ruling. Not only did appellants neglect to file any motion referencing "reconsideration" (a word that appears nowhere in their objections), but they never cited to section 1008, which governs such motions. Nor did they make a legally sufficient showing of new facts and law that could not previously have been discovered in due diligence.

The present claim of error under section 1008 was waived, for failure to make any such motion for reconsideration in the trial court. (See *Ochoa v. Pacific Gas & Electric Co.* (1998) 61 Cal.App.4th 1480, 1488, fn. 3; *Santantonio v. Westinghouse Broadcasting Co.* (1994) 25 Cal.App.4th 102, 113; *Horton v. Superior Court* (1987) 194 Cal.App.3d 727, 738.)

We also point out that the trial court would not have abused its discretion under section 1008 by denying reconsideration, in any event. Appellants failed to make

any showing of new facts or law that in due diligence they could not have previously discovered. This failure would have justified a denial of reconsideration under section 1008. (See *Lucas, supra,* 39 Cal.App.4th at pp. 1027-1028.)[3]

III. DISPOSITION

The order of the trial court is affirmed.

STEVENS, J.

We concur.

JONES, P.J.

GEMELLO, J.

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[3] On April 7, 2005, shortly before the rescheduled oral argument before us was to take place, appellants submitted a request for judicial notice. Their request sought judicial notice of a recent administrative "office action" by a patent office examiner, regarding the asserted invalidity of the '365 patent. We must deny this request for judicial notice, because there is no adequate showing of relevance to the issues we consider on appeal. (See *Mangini v. R.J. Reynolds Tobacco Co.* (1994) 7 Cal.4th 1057, 1064-1065.)

Tender Loving Things, Inc. Plaintiff(s). vs. Everything For Love, Inc., et al. Defendant(s)	CASE NO. 323619 REF. NO. 1100034305 **STIPULATION FOR SETTLEMENT C.C.P. § 664.6**

This case having come before Hon. Rebecca Westerfield (Ret.) for mediation at the offices of JAMS, and the parties having conferred, it is hereby stipulated that this matter is deemed settled pursuant to the following terms and conditions:

1. ____________ ~~shall pay to plaintiff(s)~~ ____________ ~~and to his/her/their attorney~~ ____________ ~~the total sum of $~~ ______ [Parties agree to terms set forth below and Attached] in full settlement and compromise of this action [and all proceedings identified in attachment.] and in release and discharge of any and all claims and causes of action made in this action, and in release and discharge of any and all claims and causes of action arising out of the events or incidents referred to in the pleadings in this action.

2. ~~Plaintiff(s)~~ [Parties] agree to accept ~~said sum~~ [terms] in full settlement and compromise of the action[s] and agree that such ~~payment~~ [agreement] shall fully and forever discharge and release all claims and causes of action, whether now known or now unknown, which ~~plaintiff(s) has~~ [parties have] against ~~any and all of the defendants in that action arising out of the incident~~ [each other.].

This settlement includes an express waiver of Civil Code § 1542, which states:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

3. ~~Plaintiff(s)~~ [Parties] further agree to sign, acknowledge and deliver to ~~defendants~~ [each other] a ~~standard~~ form of a [agreement and] Release of all such claims and causes of action [in a form to be prepared by Counsel] and to sign and deliver to ~~defendants~~ [each other] a standard form of Dismissal with Prejudice of the action[s].

~~4. Plaintiff(s) shall protect and indemnify the defendants in said action, (and his/her/their liability insurance carrier(s)) against any and all liens, subrogation claims and other rights that may be asserted by any person against the amount paid in settlement of the action or against any recovery by the plaintiff(s) in the action.~~

5. Counsel for each of the parties to this agreement represents that he/she has fully explained to his/her client(s) the legal effect of this agreement and of the [Agreement] Release and Dismissal with Prejudice provided for herein and that the settlement and compromise stated herein is final and conclusive forthwith, and each attorney represents that his/her client(s) has freely consented to and authorized this agreement.

6. ~~Payment of the stated~~ [Final] settlement ~~amount~~ [documentation] shall be made by as soon as reasonably possible.

7. Unless otherwise stated herein, each party will bear its own attorneys' fees and court costs.

8. Other terms and conditions:

See attached term sheet

9. Any provisions of Evidence Code §§1115-1128 notwithstanding, this agreement may be enforced by any party hereto by a motion under Code of Civil Procedure §664.6 or by any other procedure permitted by law in the Superior Court of San Francisco County[, or the Federal Action described herein.]

10. The provisions of the confidentiality agreement signed by the parties relative to this mediation are waived for purposes of enforcing this agreement as set forth above.

Date: 1-23-02

/s/ Timothy C. Houpt
Timothy C. Houpt, Esq.
Jones, Waldo, Holbrook &
McDonough

/s/ Wendy Robbins
Wendy Robbins

/s/ Jorli McLain
Jorli McLain

/s/ Wendy Robbins
Everything for Love, Inc.

/s/ A. Peter Rausch
A. Peter Rausch Esq.
L/O A. Peter Rausch, Jr.

/s/ Mark R. Juarez
Tender Loving Things, Inc.

/s/ Mark R. Juarez
The Happy Company

/s/ Mark R. Juarez
Mark Juarez

Mediation Settlement Term Sheet

The following terms are part of the settlement agreement between (i) Wendy Robbins, and individual; Jorli McLain, an individual; and Everything for Love, Inc., a Nevada corporation, ("EFL") and (ii) Tender Loving Things, Inc., a California corporation, dba The Happy Company ("TLT").

1. TLT will be the exclusive manufacturer of head massage devices under US Patent # 6309365, for delivery to and sale by EFL. TLT will not be identified as the manufacturer on Tingler packaging. TLT will not advertise or attempt to exploit the exclusive manufacturing role as part of its business or sales. Nothing herein will require any party to misrepresent any fact.

2. Unit price will be $2.00 each, FOB Shanghai, China, subject to adjustment for documented increases in the cost of copper in excess of 20% over current cost.

3. EFL will pay $0.90 per unit to TLT (TLT royalty payment).

4. EFL will pay $0.90 per unit to Lacey (Lacey royalty) as a royalty under the 365 patent.

5. Minimum unit order is 20,000 units. All orders will be accepted and delivered in full. Copies of Bills of lading will be provided to EFL with source identifying information redacted, but order quantities shown. Reasonable terms relating to advanced notice for orders of increased quantity over prior orders will be reflected in a final agreement.

6. Time to produce Product not to exceed 60 days from order, subject to delays related to:

a. Chinese New Year (2 week additional delay).

b. Acts of God, Terrorism.

c. Acts of third parties outside the control of TLT.

7. EFL to assign "Tingler" trademark to Lacey, and sell under exclusive license back of "Tingler" trademark from Lacey. Term consistent with TLT/Lacey agreement. License back subject to minimum annual royalty payment to Lacey of no less than $90,000 or exclusive license becomes nonexclusive.

8. TLT will be entitled to sell device under the 365 patent, under "Head Trip" trademark, under agreement with Lacey.

9. Manufacturing orders will be delivered in order of placement.

10. Quality standards will be specified and measured against a sample Product and specs to be mutually selected and agreeable to parties.

    a. Copper Product.

    b. Copper tips.

    c. Cellophane bag.

    d. Product will be labeled and stamped.

    e. Insert as provided by EFL.

    f. Packaged in boxes of 25 units.

    g. Box labeling as specified by EFL.

    h. EFL responsible for compliance with China and US law as to labeling.

i. Red Velvet Bag packaging will be made available at $0.25 additional per unit, with card insert designed by EFL and produced and printed by TLT, (4 color/double sided) subject to agreement as to design and ability of TLT to print as requested. Parties to work out details in goof [sic] faith.

11. Mutually accepted third party will arbitrate quality control issues.

12. All orders must be placed on a mutually approved PO form.

13. Payment terms:

   a. 50% ($1.00) upon order placement, (delivery time begins upon receipt of payment),

   b. 25% ($0.50]) due upon delivery to FOB port.

   c. 25% ($0.50) thirty days after delivery to FOB port.

   d. Lacey royalty payment ($0.90) thirty days after delivery to FOB port.

   e. TLT royalty payment ($0.90) thirty days after delivery to FOB port.

   f. Escrow cash deposit of irrevocable Letter of Credit equal to royalty payments to be available before product is released to EFL possession at FOB port.

   g. Escrow cash deposit or irrevocable Letter of Credit equal to last 25% installment payment to be available before product is released to EFL possession at FOB port.

14. Product to be marked with 365 patent number designation.

15. $10,000 in escrow release $5,000 to TLT and $5,000 to EFL.

16. General mutual releases of all claims and dismissal of all action.

17. Parties compete fairly and agree to comply with specific mutual and mutually agreeable rules and standards of conduct.

18. Product with silicon tip available at additional per unit cost not to exceed $0.20 provided total volume of silicon tip orders does not exceed 20% total annual business. Additional cost not to exceed $0.35 as to any silicon tip orders in excess of 20% total annual business. TLT will investigate in good faith alternatives for tear shaped silicon and/or tear shaped copper tip at less or no additional cost per unit, with any cost savings passed back to EFL.

19. Product liability coverage to TLT as additional named insured under CGL policy at $1M per occurrence.

20. American made Product will be made available at customer request (verified) provided actual cost to TLT in excess of contract price will be passed on to EFL. Royalty rates $0.90/$0.90 still apply. TLT will give preference to EFL's manufacturer recommendation provided they meet quality control standards.

21. Customers requesting permission to manufacture directly will be considered on a case by case basis.

22. EFL units on hand (50,000) may be sold without royalty payments due to TLT.

23. No disparagement between parties. Mutually agreeable script will be adopted to guide parties public comments regarding the dispute, the resolution and the parties prospective relationship.

24. Final agreement to include ADR provisions with mediation, facilitation and arbitration provisions to be agreed between parties.

25. Agreement subject to approval by Lacey as to terms implicating Lacey rights.

26. TLT and EFL to communicate through designated contacts.

27. TLT and counsel to strongly recommend acceptance of this arrangement by Lacey.

28. All Tingler advertising must bear reference to the US patent by number.

29. Mark Juarez to be a signatory as to releases and non disparagement terms. Wendy and Jorlie individually not subject to personal liability to payment terms. Payment obligations are corporate.

30. EFL's obligation to Lacey is additional to and separate and freestanding from TLT's obligation. EFL will not risk forfeiture of loss of exclusivity by virtue of any conduct of TLT alone. EFL will have independent cure rights relative to the Lacey minimum royalty.

31. EFL and Wendy and Jorlie will obtain releases from Lacey as consideration for Tingle [sic] trademark assignment.

/s/ Wendy Robbins
/s/ Jorli McLain
/s/ Mark R. Jarez

Attachment to Stipulation for Settlement

The terms of this Stipulation for Settlement apply to all proceedings between the parties as of the date of this Stipulation, including, specifically, (i) American Arbitration Association as case Number 74 E 181 00775 01 MS, entitled Tender Loving Things, Inc. and Wendy Robbins, Jorli McClain [sic] and Everything for Love, Inc., (The "Arbitration"); (ii) California Superior Court, County of San Francisco, as case number 323619, entitled Tender Loving Things, Inc., a California Corporation, dba the Happy Company, Plaintiff, Vs. Wendy Robbins, and Individual; Jorli Mclain, an Individual; Everything For Love, Inc., a Nevada Corporation, and Does 1 Through 50, Inclusive, Defendants, (The "State Action"), (iii) United States District Court for the Northern District of California, San Francisco Division, as case number C 01 3542 (MJJ), entitled Everything For Love, Inc., a Nevada Corporation, Plaintiff, vs. Tender Loving Things, Inc., a California Corporation, dba the Happy Company, Defendant, (The "Federal Action").

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Attorneys for Plaintiffs, Tender Loving Things, Inc., dba The Happy Company.

SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN FRANCISCO

TENDER LOVING THINGS, INC.,	)	Case No.: 323619
Plaintiff,	)	**JUDGMENT**
vs.	)	
EVERYTHING FOR LOVE, INC.,	)	
Defendant.	)	

(Filed Aug. 18, 2003)

Pursuant to this Court's Order entered July 17, 2003, granting Plaintiff, Tender Loving Things, Inc.'s, ("TLT") Motion To Enforce Judgment And Entering Judgment Pursuant To Settlement under Code of Civil Procedure section 664.6:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Judgment is hereby entered in favor of TLT,

in accordance with the terms of the written Stipulation for Settlement dated January 23, 2002, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference.

IT IS FURTHER ORDERED that defendants Robbins, McLain and Everything For Love, Inc., ("EFL") are permanently enjoined from advertising, selling or offering for sale any Head Massager Device covered by US Patent 6,309,365 ("Patent") that is not manufactured by and purchased from TLT in accordance with the terms of the Settlement agreement. This injunction shall terminate upon expiration of the Patent.

IT IS FURTHER ORDERED that defendants Robbins, McLain, and EFL shall provide an accounting to TLT to all sales made by Defendants from January 23, 2002 to date, of any Head Massager Device. The accounting shall specify whether each such sale is of a device covered by the Patent or is alleged to have been made of a device not covered by the Patent. Such accounting shall be made and certified by defendants, and each of them, within thirty (30) days from the date of this Judgment and Defendants shall supplement such accounting every ninety (90) days thereafter until further order of this Court.

IT IS FURTHER ORDERED that all right, title and interest in and to Defendants' trademark "Tingler" for use in connection with the advertising or sale of Head Massager Devices covered by the Patent shall be and hereby is transferred and assigned to Dwayne Lacey, but subject to Defendant's receiving from Dwayne Lacey (i) a non-exclusive license back to defendants permitting their use of the trademark in connection with the advertising, sale or offer of sale of any Head Massager Device that is

covered by the patent and manufactured by and purchased from TLT in accordance with the terms of the Settlement agreement, and (ii) a release of claims as contemplated by the Settlement Agreement. The exclusive or non-exclusive nature of the license back from Dwayne Lacey to Defendants will be subject to the terms set forth in the Settlement Agreement. Defendants will execute appropriate documentation to evidence the trademark assignment.

IT IS FURTHER ORDERED that all claims, causes of action and disputes between the parties that existed, or could have existed, as of the date of execution of the Stipulation for Settlement dated January 23, 2002, are hereby released and such claims are dismissed with prejudice and the parties are permanently restrained and enjoined from asserting or prosecuting any and all such claims. The parties are directed to prepare, execute and exchange appropriate forms of release.

IT IS FURTHER ORDERED that the parties shall each bear their own costs.

IT IS FURTHER ORDERED that this Court retains jurisdiction over the parties in order to enforce and interpret this Judgment until performance in full of its terms.

DATED: AUG 14 2003

Hon. JAMES L. WARREN
Signing for Judge DAVID A. GARCIA

/s/ James L. Warren
THE HONORABLE ~~DAVID A. GARCIA~~
JUDGE OF THE SUPERIOR COURT
JAMES L. WARREN

Tender Loving Things, Inc. Plaintiff(s). vs. Everything For Love, Inc., et al. Defendant(s)	))))))))	CASE NO. 323619 REF. NO. 1100034305 **STIPULATION FOR SETTLEMENT C.C.P. § 664.6**

This case having come before Hon. Rebecca Westerfield (Ret.) for mediation at the offices of JAMS, and the parties having conferred, it is hereby stipulated that this matter is deemed settled pursuant to the following terms and conditions:

1. ~~________________________ shall pay to plaintiff(s) ________________________ and to his/her/their attorney ________________________ the total sum of $ ________~~ [Parties agree to terms set forth below and Attached in full settlement and compromise of this action and all proceedings identified in attachment.] and in release and discharge of any and all claims and causes of action made in this action, and in release and discharge of any and all claims and causes of action arising out of the events or incidents referred to in the pleadings in this action.

2. ~~Plaintiff(s)~~ [Parties] agree to accept ~~said sum~~ [terms] in full settlement and compromise of the action[s] and agree that such ~~payment~~ [agreement] shall fully and forever discharge and release all claims and causes of action, whether now known or now unknown, which ~~plaintiff(s) has~~ [parties have] against ~~any and all of the defendants in that action arising out of the incident~~ [each other.].

This settlement includes an express waiver of Civil Code § 1542, which states:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

3. ~~Plaintiff(s)~~ [Parties] further agree to sign, acknowledge and deliver to ~~defendants~~ [each other] a ~~standard~~ form of a [agreement and] Release of all such claims and causes of action [in a form to be prepared by Counsel] and to sign and deliver to ~~defendants~~ [each other] a standard form of Dismissal with Prejudice of the action[s].

~~4. Plaintiff(s) shall protect and indemnify the defendants in said action, (and his/her/their liability insurance carrier(s)) against any and all liens, subrogation claims and other rights that may be asserted by any person against the amount paid in settlement of the action or against any recovery by the plaintiff(s) in the action.~~

5. Counsel for each of the parties to this agreement represents that he/she has fully explained to his/her client(s) the legal effect of this agreement and of the [Agreement] Release and Dismissal with Prejudice provided for herein and that the settlement and compromise stated herein is final and conclusive forthwith, and each attorney represents that his/her client(s) has freely consented to and authorized this agreement.

6. ~~Payment of the stated~~ [Final] settlement ~~amount~~ [documentation] shall be made by as soon as reasonably possible.

7. Unless otherwise stated herein, each party will bear its own attorneys' fees and court costs.

8. Other terms and conditions:

See attached term sheet

9. Any provisions of Evidence Code §§1115-1128 notwithstanding, this agreement may be enforced by any party hereto by a motion under Code of Civil Procedure §664.6 or by any other procedure permitted by law in the Superior Court of San Francisco County[, or the Federal Action described herein.]

10. The provisions of the confidentiality agreement signed by the parties relative to this mediation are waived for purposes of enforcing this agreement as set forth above.

Date: 1-23-02

/s/ Timothy C. Houpt
Timothy C. Houpt, Esq.
Jones, Waldo, Holbrook & McDonough

/s/ Wendy Robbins
Wendy Robbins

/s/ Jorli McLain
Jorli McLain

/s/ Wendy Robbins
Everything for Love, Inc.

/s/ A. Peter Rausch
A. Peter Rausch Esq.
L/O A. Peter Rausch, Jr.

/s/ Mark R. Juarez
Tender Loving Things, Inc.

/s/ Mark R. Juarez
The Happy Company

/s/ Mark R. Juarez
Mark Juarez

Mediation Settlement Term Sheet

The following terms are part of the settlement agreement between (i) Wendy Robbins, and individual; Jorli McLain, an individual; and Everything for Love, Inc., a Nevada corporation, ("EFL") and (ii) Tender Loving Things, Inc., a California corporation, dba The Happy Company ("TLT").

1. TLT will be the exclusive manufacturer of head massage devices under US Patent # 6309365, for delivery to and sale by EFL. TLT will not be identified as the manufacturer on Tingler packaging. TLT will not advertise or attempt to exploit the exclusive manufacturing role as part of its business or sales. Nothing herein will require any party to misrepresent any fact.

2. Unit price will be $2.00 each, FOB Shanghai, China, subject to adjustment for documented increases in the cost of copper in excess of 20% over current cost.

3. EFL will pay $0.90 per unit to TLT (TLT royalty payment).

4. EFL will pay $0.90 per unit to Lacey (Lacey royalty) as a royalty under the 365 patent.

5. Minimum unit order is 20,000 units. All orders will be accepted and delivered in full. Copies of Bills of lading will be provided to EFL with source identifying information redacted, but order quantities shown. Reasonable terms relating to advanced notice for orders of increased quantity over prior orders will be reflected in a final agreement.

6. Time to produce Product not to exceed 60 days from order, subject to delays related to:

   a. Chinese New Year (2 week additional delay).

   b. Acts of God, Terrorism.

   c. Acts of third parties outside the control of TLT.

7. EFL to assign "Tingler" trademark to Lacey, and sell under exclusive license back of "Tingler" trademark from Lacey. Term consistent with TLT/Lacey agreement. License back subject to minimum annual royalty payment to Lacey of no less than $90,000 or exclusive license becomes nonexclusive.

8. TLT will be entitled to sell device under the 365 patent, under "Head Trip" trademark, under agreement with Lacey.

9. Manufacturing orders will be delivered in order of placement.

10. Quality standards will be specified and measured against a sample Product and specs to be mutually selected and agreeable to parties.

    a. Copper Product.

    b. Copper tips.

    c. Cellophane bag.

    d. Product will be labeled and stamped.

    e. Insert as provided by EFL.

    f. Packaged in boxes of 25 units.

    g. Box labeling as specified by EFL.

    h. EFL responsible for compliance with China and US law as to labeling.

    i. Red Velvet Bag packaging will be made available at $0.25 additional per unit, with card insert designed by EFL and produced and printed by TLT, (4 color/double sided) subject to agreement as to design and ability

of TLT to print as requested. Parties to work out details in goof [sic] faith.

11. Mutually accepted third party will arbitrate quality control issues.

12. All orders must be placed on a mutually approved PO form.

13. Payment terms:

    a. 50% ($1.00) upon order placement, (delivery time begins upon receipt of payment),

    b. 25% ($0.50]) due upon delivery to FOB port.

    c. 25% ($0.50) thirty days after delivery to FOB port.

    d. Lacey royalty payment ($0.90) thirty days after delivery to FOB port.

    e. TLT royalty payment ($0.90) thirty days after delivery to FOB port.

    f. Escrow cash deposit of irrevocable Letter of Credit equal to royalty payments to be available before product is released to EFL possession at FOB port.

    g. Escrow cash deposit or irrevocable Letter of Credit equal to last 25% installment payment to be available before product is released to EFL possession at FOB port.

14. Product to be marked with 365 patent number designation.

15. $10,000 in escrow release $5,000 to TLT and $5,000 to EFL.

16. General mutual releases of all claims and dismissal of all action.

17. Parties compete fairly and agree to comply with specific mutual and mutually agreeable rules and standards of conduct.

18. Product with silicon tip available at additional per unit cost not to exceed $0.20 provided total volume of silicon tip orders does not exceed 20% total annual business. Additional cost not to exceed $0.35 as to any silicon tip orders in excess of 20% total annual business. TLT will investigate in good faith alternatives for tear shaped silicon and/or tear shaped copper tip at less or no additional cost per unit, with any cost savings passed back to EFL.

19. Product liability coverage to TLT as additional named insured under CGL policy at $1M per occurrence.

20. American made Product will be made available at customer request (verified) provided actual cost to TLT in excess of contract price will be passed on to EFL. Royalty rates $0.90/$0.90 still apply. TLT will give preference to EFL's manufacturer recommendation provided they meet quality control standards.

21. Customers requesting permission to manufacture directly will be considered on a case by case basis.

22. EFL units on hand (50,000) may be sold without royalty payments due to TLT.

23. No disparagement between parties. Mutually agreeable script will be adopted to guide parties public comments regarding the dispute, the resolution and the parties prospective relationship.

24. Final agreement to include ADR provisions with mediation, facilitation and arbitration provisions to be agreed between parties.

25. Agreement subject to approval by Lacey as to terms implicating Lacey rights.

26. TLT and EFL to communicate through designated contacts.

27. TLT and counsel to strongly recommend acceptance of this arrangement by Lacey.

28. All Tingler advertising must bear reference to the US patent by number.

29. Mark Juarez to be a signatory as to releases and non disparagement terms. Wendy and Jorlie individually not subject to personal liability to payment terms. Payment obligations are corporate.

30. EFL's obligation to Lacey is additional to and separate and freestanding from TLT's obligation. EFL will not risk forfeiture of loss of exclusivity by virtue of any conduct of TLT alone. EFL will have independent cure rights relative to the Lacey minimum royalty.

31. EFL and Wendy and Jorlie will obtain releases from Lacey as consideration for Tingle [sic] trademark assignment.

/s/ Wendy Robbins
/s/ Jorli McLain
/s/ Mark R. Jarez

Attachment to Stipulation for Settlement

The terms of this Stipulation for Settlement apply to all proceedings between the parties as of the date of this Stipulation, including, specifically, (i) American Arbitration Association as case Number 74 E 181 00775 01 MS, entitled Tender Loving Things, Inc. and Wendy Robbins, Jorli McClain [sic] and Everything for Love, Inc., (The "Arbitration"); (ii) California Superior Court, County of San Francisco, as case number 323619, entitled Tender Loving Things, Inc., a California Corporation, dba the Happy Company, Plaintiff, Vs. Wendy Robbins, and Individual; Jorli Mclain, an Individual; Everything For Love, Inc., a Nevada Corporation, and Does 1 Through 50, Inclusive, Defendants, (The "State Action"), (iii) United States District Court for the Northern District of California, San Francisco Division, as case number C 01 3542 (MJJ), entitled Everything For Love, Inc., a Nevada Corporation, Plaintiff, vs. Tender Loving Things, Inc., a California Corporation, dba the Happy Company, Defendant, (The "Federal Action").

COURT OF APPEAL, FIRST APPELLATE DISTRICT
350 MCALLISTER STREET
SAN FRANCISCO, CA 94102
DIVISION 5

TENDER LOVING THINGS, INC.,
Plaintiff and Respondent,
v.
WENDY ROBBINS, et al.,
Defendants and Appellants.

A103989
San Francisco County No.323619

(Filed May 16, 2005)

BY THE COURT:

The petition for rehearing is denied.

Date May 16 2005 STEVENS, J. ACTING P.J.

TENDER LOVING THINGS INC., Plaintiff and Respondent, v. WENDY ROBBINS et al., Defendants and Appellants.
S134277

SUPREME COURT OF CALIFORNIA

2005 Cal. LEXIS 7868

July 13, 2005, Filed

PRIOR HISTORY: First Appellate District, Division Five, No. A103989.

JUDGES: George, C.J., was absent and did not participate.

OPINION: Petition for review denied.

George, C.J., was absent and did not participate.

STATUTES INVOLVED

15 U.S.C. § 1060 provides:

A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of an symbolized by the mark. However, no application to register a mark under section 1051(b) of this title shall be assignable prior to the filing of the verified statement of use under section 1051(d) of this title, except to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing. In any assignment authorized by this section it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. Assignments shall be by instruments in writing duly executed. Acknowledgement shall be prima facie evidence of the execution of an assignment and when recorded in the Patent and Trademark Office the record shall be prima facie evidence of execution. An assignment shall be void as against any subsequent purchaser for a valuable consideration without notice, unless it is recorded in the Patent and Trademark Office within three months after the date thereof or prior to such subsequent purchase. A separate record of assignments submitted for recording hereunder shall be maintained in the Patent and Trademark Office. An assignee not domiciled in the United States shall be subject to and comply with the provisions of section 1051(e) of this title.

*　　*　　*

28 U.S.C. § 1338 provides:

(a) the district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.

(c) Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17 to the same extent as such subsections apply to copyrights.